

# TECHNICAL MEMORANDUM

## Utah Coal Regulatory Program

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March 30, 2004

TO: Internal File

FROM: Priscilla Burton

RE: Response to Condition #2 (Permit Transfer), Hidden Splendor Resources, Inc. Horizon Mine, C/007/0020 Tasks #1747 and 1836

### **SUMMARY:**

The Horizon Mine permit was transferred from Lodestar Energy, Inc. to Hidden Splendor Resources, Inc on July 1, 2003. Attachment A of the Permit reads as follows:

### ***Attachment A Conditions***

*Condition #1 Hidden Splendor Resources, Inc. will submit water quality data for the Horizon Mine in an electronic format through the Electronic Data Input web site, <http://hlunix.hl.state.ut.us/cgi-bin/appx-ogm.cgi>.*

*Condition #2 Hidden Splendor Resources, Inc. will update the appropriate sections of the mining and reclamation plan with the permit transfer information by August 1, 2003.*

The Division extended the deadline for response to Condition #2 to October 15, 2003 (Outgoing Folder, letters dated August 1, 2003 and September 12, 2003). Information received from the Permittee on September 30, 2003 and was reviewed and found deficient on December 22, 2004. Additional information was received February 13, 2004 and by email on March 30, 2004.

This reviewer finds that information presented in the application as required by R645-301-112 through 116 (Legal/Financial) is accurate and includes the narrative changes made to Chapter 2 for the purpose of transferring the permit.

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Surface owners shown on Plate 4-2 within the permit area include Hidden Splendor Resources, Inc; the USA; Ray M. and Tessie K. Farley; and J. Mark and James C. Jacob. These surface owners have been notified of the underground mining beneath their properties Appendix 4-1a. Although no written authorization or response has yet been received from the land owner as required by R645-301-114.200, the lease UTU-74804 gives the Permittee the right to access the coal regardless. All subsequent communication between the Permittee and surface owner should be added to Appendix 4-1a.

Plate 3-3 has been revised to reflect the existing underground mining plan (email from Kit Pappas March 30, 2004).

**TECHNICAL ANALYSIS:**

**GENERAL CONTENTS**

**IDENTIFICATION OF INTERESTS**

Regulatory Reference: 30 CFR 773.22; 30 CFR 778.13; R645-301-112

**Analysis:**

Chapter 2 identifies the permit applicant and mine operator as Hidden Splendor Resources, Inc., a Nevada corporation. Two principal officers own 100% of Hidden Splendor Resources, Inc. Hidden Splendor Resources, Inc does not own or control any other mining operations (page 2-3).

The resident agent is identified as Alexander H. Walker, III with a Salt Lake City address (page 2-2). This information is the same as that provided under the permit transfer application.

Names, addresses, phone numbers and social security numbers are supplied for the four individuals who control Hidden Splendor Resources, Inc, the Applicant. To protect the individuals' this information may be kept in a confidential folder, if requested.

The abandoned mine reclamation fee will be paid by Cecil Ann Walker, President of Hidden Splendor Resources, Inc.

**Findings:**

The information provided by the Permittee meets the requirements of the regulations. may be kept confidential if requested.

**VIOLATION INFORMATION**

Regulatory Reference: 30 CFR 773.15(b); 30 CFR 773.23; 30 CFR 778.14; R645-300-132; R645-301-113

**Analysis:**

Violation information for the mine is discussed in Section 113 (p 2-6) and in Appendix 2-4 (revised and submitted with the permit transfer application).

**Findings:**

The information provided by the Permittee meets the requirements of the Regulations.

**RIGHT OF ENTRY**

Regulatory Reference: 30 CFR 778.15; R645-301-114

**Analysis:**

The disturbed area boundary includes 8.23 acres, but the bonded area covers 9.15 acres (page 2-8). The disturbed area is located in T13S, R8E Section 17.

Right of Entry information is provided in Sections 112 through 114 (page 2-6). The narrative states that the right of entry is based on the documents provided in the revised Appendix 2-1 submitted with the permit transfer application (Task #101 received May 15, 2003.):

- Assignment from Lodestar by its Chapter 11 Trustee,
- Designation of Operator executed by Lodestar and
- Federal Lease UTU-74804 (which includes the Right of Way grant SL 063011, allowing passage through USA BLM lands).

Chapter 1 of this application contains the exact wording approved by the permit transfer.

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The permit boundary is shown on Plate 1-1. The permit boundary remains unchanged from the time of Lodestar ownership.

Surface owners shown on Plate 4-2 within the permit area include Hidden Splendor Resources, Inc; the USA; Ray M. and Tessie K. Farley; and J. Mark and James C. Jacob. These surface owners have been notified of the underground mining beneath their properties Appendix 4-1a. Although no written authorization or response has yet been received from the land owner as required by R645-301-114.200, the lease UTU-74804 gives the Permittee the right to access the coal regardless.

Only part of the lands described on lease UTU-74804 containing 1,288.49 acres, more or less, are included in the permit area as described on page 2-6 and 2-7 and shown on Plate 1-1 and Plate 4-3. Plate 4-3 clearly shows the location of expired lease SL 0630311, existing lease UTU-74804, and coal owned by Hidden Splendor Resources, Ltd. Plate 4-3 was certified by a P.E.

### **Findings:**

The information provided meets the requirements of the regulations. All subsequent communication between the Permittee and surface owner should be added to Appendix 4-1a.

## **LEGAL DESCRIPTION AND STATUS OF UNSUITABILITY CLAIMS**

Regulatory Reference: 30 CFR 778.16; 30 CFR 779.12(a); 30 CFR 779.24(a)(b)(c); R645-300-121.120; R645-301-112.800; R645-300-141; R645-301-115.

### **Analysis:**

The permit area has not been designated as unsuitable for coal mining and reclamation. However, coal mining and reclamation does occur within 100 feet of County Road 290 and the Consumer Road, both public roads. Appendix 3-1 contains documentation from the Carbon County and of public notice of the mine activity near and on these roads, without limiting public access.

### **Findings:**

The information provided meets the requirements of the Regulations.

## **PERMIT TERM**

Regulatory References: 30 CFR 778.17; R645-301-116.

**Analysis:**

The anticipated mining termination date under the existing R2P2 stipulation (Appendix 3-11) will expire with the completion of mining in 2004. Plate 3-3, Mine Plan map, indicates plans for mining through 2007. The Federal Permit was issued on July 1, 2003 and expires October 11, 2006. The plan indicates that mining will continue for the remaining permit term. Access to additional reserves to the north (Sections 6, 7, 8 and 18 of T13S, R8E) may be possible in the future (page 3-17).

**Findings:**

The information on file with the Division meets the requirements of the Regulations.

**PUBLIC NOTICE AND COMMENT**

Regulatory References: 30 CFR 778.21; 30 CFR 773.13; R645-300-120; R645-301-117.200.

**Analysis:**

An affidavit of the public notice for the permit transfer is found in Appendix 2-2. The liability insurance policy is in effect until May 1, 2004.

**Findings:**

The information provided meets the requirements of the Regulations.

**MAPS AND PLANS**

Regulatory Reference: 30 CFR 777.14; R645-301-140.

**Analysis:**

Plate 4-2 Surface ownership and Plate 4-3 Coal Ownership have been stamped and signed by a Professional Engineer (P.E ). Sections have been identified on both plates.

**Findings:**

The information provided by the Permittee meets the requirements of the regulations.

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## **ENVIRONMENTAL RESOURCE INFORMATION**

Regulatory Reference: Pub. L 95-87 Sections 507(b), 508(a), and 516(b); 30 CFR 783., et. al.

### **PERMIT AREA**

Regulatory Requirements: 30 CFR 783.12; R645-301-521.

#### **Analysis:**

The application indicates that the permit boundary includes the Hidden Splendor Lease (now expired) and “a part of the Beaver Creek Tract coal lease UTU-74804, acquired on September 1, 1998” (p 2-6). Please correct the narrative to reflect the statements made under Section 114 in the permit transfer application, see deficiency written under Permit Application Format and Contents in the TA.

Although lease UTU- 74804 contains 1,288.49 acres, the current permit allows mining in only 711 acres.

The July 1, 2003 permit states, “The permit area of the Horizon Mine contains 711 acres, more or less, consisting of 305 acres, more or less of Fee coal and 406 acres, more or less of Federal leased coal.” (The permit acreage is also indicated on page 2-7 of the application.) Appendix 3-11 provides documentation from the BLM of the revised R2P2 for mining south of Beaver Creek, only, within lease UTU-74804.

The Permittee is aware that they must establish adequate baseline information prior to obtaining the Secretary of Interior’s authorization to mine the entire lease area (meeting between Mark Wayment, Kit Pappas and the Division on October 9, 2003).

#### **Findings**

The information provided meets the requirements of the Regulations.

## RECLAMATION PLAN

### BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

#### Analysis:

##### **Form of Bond**

An Irrevocable Letter of Credit is filed with the Division in the amount of \$342,000, payable to the State of Utah, Division of Oil, Gas, and Mining and the Office of Surface Mining Reclamation and Enforcement.

##### **Determination of Bond Amount**

The reclamation cost is outlined in Appendix 3-7 as \$309,855 in 2001 dollars. By the year 2006, the reclamation cost will escalate to \$361,000.

##### **Terms and Conditions for Liability Insurance**

Appendix 2-2 has the liability insurance information. The insurance coverage is for a period of one year, expiring on May 1, 2004. The Division of Oil, Gas & Mining is listed as an additional insured party. The insurance coverage meets the requirements of R645-301-890.100 and -890.300.

#### Findings:

The information provided meets the requirements of the Regulations.

#### **RECOMMENDATIONS:**

The information provided meets the requirements of Condition #2 of Permit C007/020 issued on July 1, 2003.